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SUBJECT: PRIME MINISTER FACING POLITICAL FALLOUT FOLLOWING  
CRITICISM OVER RICE INITIATIVE

Classified By: Economic Officer Manoela G. Borges, Embassy Bamako,  
for reasons 1.4 (b) and (d).

1.(U) Summary: Prime Minister Modibo Sidibe's widely touted Rice Initiative was meant to be the silver bullet to reducing rice prices and increasing local production in a time of global food crisis. After much fanfare and US \$84 million in Government of Mali and donor money, Sidibe faces a cacophony of complaints and accusations from producers, consumers, and government colleagues who claim the initiative accomplished neither of its goals. While that judgment is perhaps overly harsh, the political swirl is encouraging new duty free rice import arrangements that will likely also fall short of expectations. Meanwhile, the political fate of the PM may hang in the balance as rumors of a looming Cabinet shuffle abound. End summary.

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Yes, Minister: The Rice Initiative  
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2.(U) Mali's rice initiative was a response to the 2008 global food crisis, which saw a precipitous rise in the price of staple food products and stopped or significantly curtailed exports of certain food products amid concerns about the sufficiency of food supplies. This posed a particularly serious dilemma for Mali, which is 75-80 percent self-sufficient in rice production and relies on imports to close the gap in supply. In response, Prime Minister Modibo Sidibe launched the highly publicized "Rice Initiative" in July 2008. The goal of the initiative was to increase domestic rice yields by 50 percent over the previous year, thereby guaranteeing food security while reducing the cost of rice for consumers by increasing market supply. The program was also seen as an opportunity for local rice producers, whose crops were becoming more competitive in a situation of rising commodity prices.

3.(U) The idea had merit, as Mali is frequently described as one of West Africa's largest potential rice producers - if only Mali could figure out how to harness, and fully irrigate, the vast but chronically under-performing Office du Niger rice-growing region and implement other smaller scale irrigation schemes. To support the Rice Initiative, the Malian government provided USD 20 million in subsidies. International donors, notably Canada, the Netherlands, and, to a smaller degree, Denmark, also provided direct budget support. At a total cost of USD 84 million, the initiative consisted of subsidies and funding for the purchase of fertilizers, seeds, agricultural tools, and the provision of technical assistance to rice farmers with the aid of 102 newly-hired agricultural extension agents.

4.(U) The program was initially hailed as a success. During a highly publicized harvest ceremony in the rice belt of the Niger River Valley Authority in November 2008, Prime Minister Modibo Sidibe proclaimed that Mali had produced an unprecedented 1.6 million tons of rice, hitting the

initiative's target of a 50 percent increase over Mali's rice production in 2007. Sidibe went on to predict that the retail price of rice would decline from CFA 350-400 to a more affordable CFA 300 (USD .60) per kg.

5.(U) Sidibe's predictions soon proved incorrect. The retail price of rice remained at CFA 350-400 (USD .70 - .80) per kg, a price 35 percent higher than at the same time last year. In response to criticism from consumers that rice remained unaffordable, Sidibe made a series of radio addresses in January 2009 appealing to producers and distributors to restrict their sales to the domestic market rather than seek higher profit margins abroad. A subsequent agreement on February 7 between the Malian government the Chamber of Agriculture, and Chamber of Commerce also proved ineffective. This deal was intended to keep prices low by encouraging farmers to sell to distributors at a wholesale price of CFA 250 (USD .50) per kg. Distributors would then sell the rice to consumers at a retail price no higher than 300 CFA (USD .60), thereby limiting the mark-up to no more than 10 cents per kilo. With no enforcement mechanism and no incentive for producers to sell at below-market rates, the agreement had no impact on prices.

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Mali's Response to "Failure": Subsidized Imports  
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6.(U) In response to the failure of the Rice Initiative to reduce prices, on February 26 the Malian government announced a suspension of duties on the importation of rice from March 1 through May 31, 2009. The Deputy Director of Commerce

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Abdoul Karim Sissoko told the Embassy that, as of March 10, importers had registered their intent to import 180,000 tons of rice under the new duty-free arrangement. The arrangement, akin to a similar one in 2008, stipulates that distributors sell at a maximum retail price of 300 CFA (USD .60) per kg. The 2008 arrangement was unsuccessful in reducing prices, as there was no practical way to enforce the below-market selling price.

7.(U) Problems with the current duty-free arrangement are already apparent. Just one day after the government's announcement of the program, a number of importers were already at the border with the requisite paperwork. Observers speculated that these importers must have had access to inside information about the program prior to its public announcement, as there was no way that the process of registering with the Commerce Office, receiving the paperwork, and handling the logistics of importing could be done in one day. Other problems with the arrangement have also been identified, such as the exact timing of when the low prices are to be applied and how one would distinguish imported rice from local rice in the domestic market.

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Explaining the Gap Between Expectations and Reality  
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8.(U) One commodity not in short supply is speculation over why the price of rice has remained high in spite of record production. In recent weeks, this has led some to question the accuracy of the Prime Minister's announcement of production levels. On March 6, a local newspaper quoted the Prime Minister's Agricultural Advisor, Bakary Kante, as saying that prices remained high because Mali's supply of rice remained insufficient. An official from the Office du Niger - the Malian government authority charged with overseeing irrigation in Mali's main rice growing zone - offered another assessment, attributing the high prices to better unionization on the part of producers, who now seek a profit margin of CFA 90-110 (USD .25-.35) per kilo versus the CFA 30-40 (USD .06-.08) in previous years. Anecdotal evidence suggests that producers, at least, have benefited

from the higher prices. A Malian newspaper on March 10 quoted a producer within the Office du Niger who stated that, thanks to this year's proceeds, he would be able to repay his debts.

9. (SBU) USAID, which provides assistance with irrigation, estimated that the increase in rice production was likely somewhere between 10 and 12 percent. To fully satisfy domestic demand, Mali would need to import rice this year. While short of the initiative's goal of a 50 percent increase, USAID observed it was significant enough to have, in fact, kept prices from rising to the level of that in neighboring countries. By USAID's estimate, the price of rice in Mali was 30-40 percent lower than that of other countries in the region. This had not, however, satisfied consumers, who had been led to expect that prices would return to the levels they were prior to the global increase in the cost of commodities. USAID explained the lower than expected production as a combination of unrealistic goals, hasty implementation, and some corruption, particularly in the provision of fertilizer. Had the initiative been implemented flawlessly, a more realistic production target would have been 25 percent over last year's levels.

10.(U) The reaction from Mali's international donor community regarding the project has been mixed. In a January 30 meeting, IMF Deputy Division Chief for Africa, Xavier Maret, solicited feedback from the donor community about the initiative. Assessments in the room ranged from diffuse praise for the initiative to reticence based on uncertainty about what had been achieved. A representative from Denmark observed that it was, at least, a good sign that the Malian government was able to act quickly and broadly in response to rising food prices and that the initiative provided a valuable opportunity to experiment with new agricultural techniques. The donor group agreed that it was difficult to discern what impact such a broad and immediate initiative had on the price of rice. Representatives further agreed that there was no agreement on the optimal price of rice in the first place. The IMF representative reiterated the need for a detailed report on the implementation of the initiative and its impact on Mali's rice market.

11.(U) In a February 27 meeting of Mali's donor partners with World Bank Director of Operations for Mali, Habib Fetini, observations about the initiative's effectiveness similarly centered on calls for a "serious, independent evaluation" of past harvests and an accounting of the inputs funded by the

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program.

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Prime Minister Takes the Heat  
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12.(U) By January 2009, consumer frustrations over high prices led to a public outcry in the Malian media. President Amadou Toumani Toure at a February 7 public event said that Mali's investment in the Rice Initiative had been intended to benefit both farmers and consumers. In perhaps a half-veiled dig at Prime Minister Sidibe, the President said it was unacceptable that the plentiful rice harvest of 2008 had not translated into lower market prices, and said he was seeking an evaluation of the initiative to assess what went wrong.

13.(U) Local media have had a field day with the controversy, with some claiming Toure accused his PM of falsifying data. Local press has daily criticized Sidibe, calling for the \$84 million spent with so little discernible impact. Rumor mongering about Sidibe's demise amid an impending Cabinet shuffle abound.

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Comment: Is it Rice Krispies for the Prime Minister?  
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14.(C) With questionable methodology and no clear oversight or evaluation procedures, Mali's \$84 million Rice Initiative has been transformed into a technical and political quagmire.

This seems, however, that it may be largely the Prime Minister's own doing - a result of his grandiose public statements. An independent evaluation may shed light on Mali's actual rice production in 2008 and what impact this had on local rice markets. If past experience is any indication, Mali's most recent attempt to bring prices down - by offering tax exemptions on rice imports - is a long shot, at least from the perspective of consumers. Importers and distributors, taking advantage of the reduced wholesale costs, seem best placed to profit from this most recent attempt to control the politically volatile local market.

15.(C) As the public face of the Rice Initiative, Prime Minister Sidibe is now left to answer for the absence of results. Sidibe is a police officer by training and in 2007 became the first Malian to attain the rank of Inspector General of the Police. During the 1990s, under former President Alpha Oumar Konare, Sidibe served as Minister of Health and Minister of Foreign Affairs. President Toure and Sidibe have been close for over 20 years and in his previous post as Secretary General of the Presidency, Sidibe was reportedly one of the President's closest confidants. Political calculations, however, often trump long term friendships. With local elections scheduled for next month and names (including Sidibe's) already floating around to succeed President Toure in 2012, President Toure could very well decide that the time is right to show Sidibe the door. President Toure's two other Prime Ministers both lasted 2 to 3 years. Ahmed Mohamed ag Hamani was PM from June 2002 to April 2004, and Ousmane Issoufi Maiga lasted three years, until September 2007. Comparatively, Sidibe's tenure at a year and a half has been rather short, but then neither ag Hamani nor Maiga had to account for a failed USD 84 million program. As a result, instead of going out with a bang, Sidibe's time as Prime Minister may end with a snap, crackle, pop.

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